REGIONAL TRANSPORTATION AUTHORITY

STRATEGIC PLAN AND CAPITAL INVESTMENT PLAN

EXECUTIVE SUMMARY

submitted by

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in association with
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CONTENTS

CONTENTS
(cont.)

List of Exhibits

INTRODUCTION

The Regional Transportation Authority Act was amended in 1983 to change the organization structure and responsibilities for providing public transportation services in the six-county greater Chicago region. While not explicitly stated, the amendment implied an objective of creating a more "businesslike" attitude toward the delivery of transit services and the establishment of a "fiscal watchdog" role for the RTA. Service Boards were established with responsibility for operating the system, including the existing Chicago Transit Authority (CTA), the Commuter Rail Board (Metra), and the Suburban Bus Board (Pace). The RTA Board was reconstituted to eliminate operating responsibilities with a renewed focus on fiscal control of budgets, allocation of financial resources, and regional coordination. Other key aspects of the amendment included the establishment of a formula for allocating the bulk of the dedicated sales tax proceeds to the Service Boards, creation of a public transportation fund pegged at an amount equal to 25 percent of gross sales tax collections to be distributed at the RTA's discretion, and a significant requirement that at least 50 percent of operating expenses be recovered from system-generated revenue (primarily fares).

The provision of financial resources and a new organization placed the RTA on a solid footing in the short run, but with the foresight born from prior financial crises, the RTA Board realized that a number of longer-term concerns required examination. Questions persisted relating to the changing regional economy and growth patterns and what impact these alternative futures would have on sources of funds and shifting markets for transit service. Blessed with an extensive but deteriorating physical plant, there was a need to analyze the long-term availability of capital funds to rehabilitate or expand the base of assets needed to provide service. These and other issues were overlayed with the requirement to understand the implications of cost growth and the options for maintaining the legislated balance with system-generated revenue. Thus, this Strategic Plan project was initiated to explore the uncertainties of the future, develop contingencies to guide the formulation of RTA policy, and assist the Service Boards in fulfilling their responsibilities of providing effective services within the context of broad regional goals.

The project involved 16 discrete tasks and benefitted from the involvement and cooperation of all of the boards along with special advisory panels and a number of regional planning agencies and local governments. During the process, 10 interim reports were published for review and comment by interested parties. Major elements of the Strategic Plan included:

- Definition of the issues and expectations of transit's constituents through numerous discussions and personal interviews;
- Analysis of the condition of the existing physical plant and calculation of the funds required over the next three decades to keep it operating;
- Review of trends in all aspects of operations, costs and regional change in population and employment;
- Projections of alternative future growth scenarios;
- Estimates of future market size and location related to alternative growth patterns;
- Examination of services as they relate to emerging markets;
- Calculation of the financial implications of each future option; and
- Development of strategies and policies to deal with the uncertainties of the future.

The essence of the strategy which emerged from the process is built around enhancing transit's position in critical existing markets and expanding the transit market share in emerging markets while recognizing financial constraints projected for the long term. Operating and service strategies are provided for five unique market clusters.

Capital investment priorities are divided among three major programs: the "Cornerstone" network; New Initiatives; and New Technology. The Cornerstone program is designed to preserve the network in the short term, but focus investment on the critical present and future elements of the system. New initiatives are included to enhance essential markets and experiment in emerging markets. A program of investment in new technology is incorporated to improve productivity and efficient service delivery.

Two critical findings are that, regardless of operations strategies, there will be a continuing need for pressure on operating cost containment — it is central to all parts of the strategy. Secondly, there is no reasonable long-term capital investment strategy that can be supported from existing funding sources. The adopted RTA Mission Statement recognizes the challenges and sets the framework for the future. The statement reads:

> BE IT RESOLVED, that the mission of the Regional Transportation Authority is to assure that the Service Boards deliver the highest quality service for the lowest possible cost, which is coordinated among its various elements with regional plans and economic development requirements, through implementation of tight administrative and fiscal controls, and through expansion and development of new financial resources to meet the changing transit requirements in northeastern Illinois.

While recognizing the need for cost-containment, coordination and quality, the mission also recognizes the reality of the need for . . . "expansion and development of new financial resources . . ."

The strategy that has evolved through the analysis of the current environment and examination of alternative futures can be summed up in a few words:

- Continue prudent fiscal controls on operating expense growth while serving current markets better and probing emerging markets;

- In the short term, capital investments must be used to do the important things well and not everything to a mediocre level; and

- In the long term, forge a regional partnership that can find the resources to rejuvenate and expand a transit infrastructure that can spur growth and economic development.

The region has a rich heritage of being a "transit town" and for parts of its history was a role model for the nation's transit systems. The challenge is to return to that status.

SCOPE and SCALE of the SYSTEM

The physical plant of the Northeastern Illinois Regional Transportation Authority and the associated Service Boards represents a major investment. With an asset base of over $13.6 billion, the RTA is the second largest business entity in the State of Illinois — ranking behind AMOCO, according to the Fortune 500 Industrials.

The RTA serves six counties with a combined population of over 7.1 million people — greater than the population of 42 of the 50 states. The daily ridership of all RTA services is greater than the population of 19 states. This daily ridership represented almost 10 percent of the entire transit ridership in the United States in 1985.

The Chicago region's public transportation system consists of over 5,000 passenger vehicles providing almost 175 million miles of service each year. The commuter and rapid rail systems represent over 1,400 track miles with 370 stations — a rail network second only to New York in the United States.

Exhibit 1 provides an overview of selected RTA statistics. In 1985, the system served 744 million passengers with 86 percent of the trips on CTA,

Exhibit 1
Selected RTA Statistics — 1985

	CTA	Metra	Pace	RTA	Total
Passengers Carried† (mil)	642	65	37	N.A.	744
Vehicles Operated					
- Rail	1,200	988	0	0	2,188
- Bus	2,317	0	668*	0	2,985
Operating Expenses (mil)	$587.0	$237.2	$61.0	$ 7	$ 892.2
System Revenue (mil)	$297.0	$130.3	$17.7	$ 8	$ 453
Recovery Ratio	50.6%	54.9%	29.0%	N.A.	50.3%**
Routes Operated					
- Rail	6	13	0	0	19
- Bus	135	0	234*	0	369
Capital Funds (mil)	$ 148	$ 90	$ 19	N.A.	$ 257
Replacement Value of Assets (millions)	$8,374	$5,102	$153	N.A.	$13,629

† "Unlinked" passenger trips = boardings plus transfers
* Does not include 58 paratransit services utilizing 113 vehicles.
** Excluding RTA revenue and expenses.

9 percent on Metra, and 5 percent on Pace. Total operating expenses approached $900 million with system-generated revenue approximately $450 million. The replacement value of assets owned by the Boards was $13.6 billion — 61 percent owned by CTA, 37 percent owned by Metra, and approximately 2 percent by Pace. It should be pointed out that the $13.6 billion does not include approximately $1.8 billion in assets estimated as the "freight share" of railroad assets used jointly for passenger and freight service. The scope and scale of the system also serve to highlight the issues explored in the next several parts of this summary:

- **Physical Assets and Capital Funding:** Probes the physical plant, its current condition and what would have to be invested annually to keep it running (the "Bedrock Investment Program" [BIP]) compared to historically available funds;

- **Operations - Costs and Revenues:** Examines sources and uses of funds for operations and factors affecting them, such as fare levels, labor costs and sales tax collections;

- **Regional Growth and Travel Markets:** Looks ahead at the potential changes in population and employment and their impact on existing and emerging travel markets;

- **Investment Strategies:** Combines the current status of the operations and physical plant with future scenarios to define major strategic thrusts;

- **Setting Priorities:** Provides a framework for breaking the strategies into "manageable bites" and defines the critical priorities; and

- **Policies and Next Steps:** Recognizes the RTA's role as a policy body and the fact that the Strategic Plan is not a static document but a guide which must be refreshed and renewed by shorter-term tactics that will then influence mid-course strategic redirection.

PHYSICAL ASSETS and CAPITAL FUNDING

A physical asset inventory by major line segment and principal asset category for each of the Service Boards indicates that the RTA's Service Boards operate with assets that have a current replacement value of about $15.4 billion (excluding land). Of this amount, the Service Boards are responsible for about $13.6 billion; the balance is the shared responsibility of the carriers.

The capital assets operated by the three Service Boards (Exhibit 2) include: Bridges and Structures (46.8%); Rolling Stock (21.3%); Track (9.0%); Electrical/Signal/Communication (7.9%); Garages/Depots/Yards (7.0%); Passenger Stations (6.7%); and Miscellaneous Support Equipment (1.3%).

Exhibit 2
Capital Assets by Type
and Service Board
(Millions)

	CTA	Metra	Pace	Total	Percent of Total
Bridges & Structures	$4,556.8	$1,825.3	$ -	$6,382.1	46.8%
Rolling Stock	1,626.4	1,197.0	82.9	2,906.3	21.3%
Track	403.0	820.7	-	1,223.7	9.0%
Elect/Sig/Comm	405.1	668.9	2.6	1,076.6	7.9%
Garages/Depots/Yds	615.2	286.2	48.8	950.2	7.0%
Passenger Stations	616.9	285.3	4.0	906.2	6.7%
Misc Support Equip	150.3	18.6	14.4	183.3	1.3%
Total	$8,373.7	$5,102.0	$152.7	$13,628.4	100.0%
Percent each Board	61.4%	37.4%	1.2%	100.0%	

The predominant assets in the structures group include bridges, which are mostly located on Metra rail lines, and the CTA elevated structure and tunnel network. Track, support facilities, electrical/signal/communications and stations represent fairly equivalent shares of the total; their replacement values range from $900 million to $1.2 billion.

The composition of assets operated by each Service Board is a reflection of the capital intensity of different modes. Pace, which operates bus and paratransit service only, is comparatively less capital intensive — nearly 86 percent of its assets are rolling stock and support facilities. Conversely, the capital intensity of rail operations is evident with CTA and Metra. Over half of CTA's and one-third of Metra's assets are structures.

Rolling stock represents the second largest component of assets. These assets are distributed among the Service Boards as follows: CTA - 56 percent; Metra - 41 percent; and Pace - 3 percent. Track is the third largest component — $1.2 billion or 9 percent — of all assets. Two-thirds of all track is operated by Metra; one-third by CTA. Electrical, signal and communications assets are the fourth largest category of assets — almost $1.1 billion or 7.9 percent. Sixty-two percent of these assets are the responsibility of Metra; CTA has 38 percent; and Pace, less than one percent of the total. Major electrical, signal and communications assets include interlockers, substations, train control systems and electrical distribution systems.

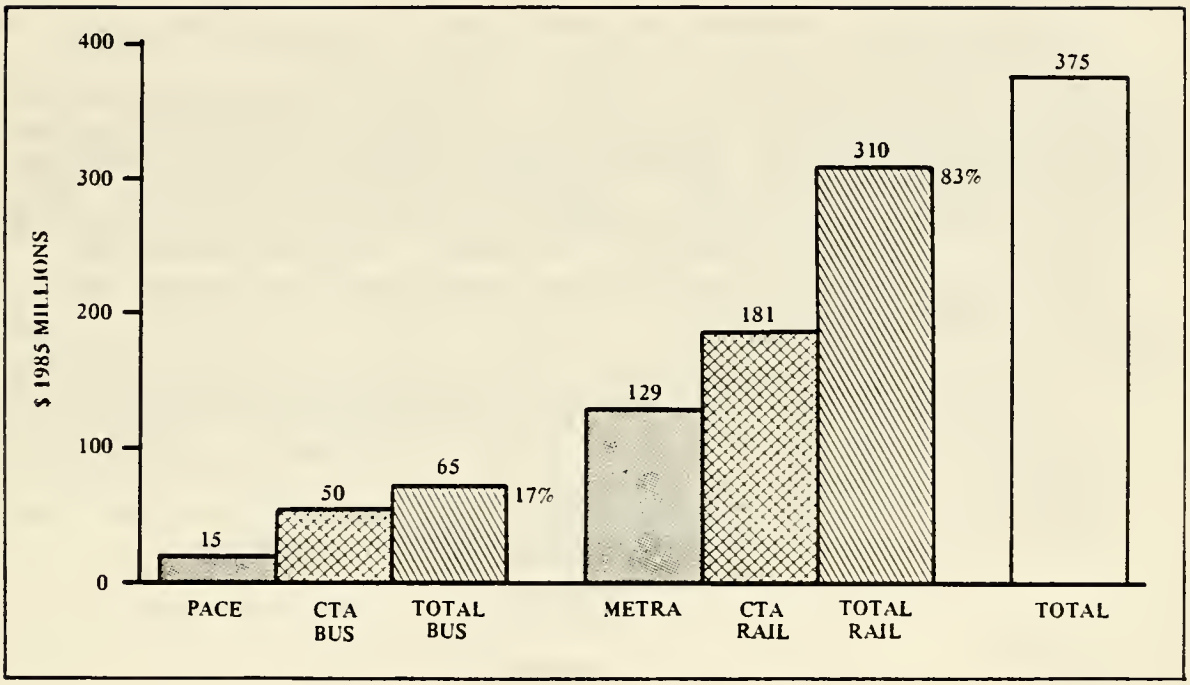
Most Service Board assets are at or near their life expectancy (Exhibit 3). The average ages in Exhibit 3, in fact, somewhat understate the problem since past replacement did not take place on an "even" annual program. For example, CTA buses show an average age of eight years, but 34 percent of the fleet is 13 to 18 years' old. Similarly, Metra yards have an average age of 30 years, but 16 percent exceed 40 years and 46 percent are in the 31- to 40-year age group.

Exhibit 3
Average Age
of Major Assets — Years
(1985)

		CTA	Metra	Pace	Life Expectancy
Bridges & Structures		82	70	N.A.	75 - 100
Rolling Stock:	Buses	8	N.A.	9	12
	Rail Cars	14	20	N.A.	24 - 40
	Locomotives	N.A.	15	N.A.	30
Garages/Depots/Yards		50	30	8	40
Stations		55	38	N.A.	50 - 70

The financial requirement to replace and rehabilitate the physical assets as they age over the next 30 years will exceed $11 billion, or $375 million annually (Exhibit 4) — not counting the "catch-up" for past deferred replacement and

Exhibit 4
RTA Bedrock Capital Program
Average Annual Spending Level
(1985 to 2015)



rehabilitation of "overage" assets estimated at $2.24 billion. This calculation has been referred to as the "Bedrock Improvement Program" which merely provides a benchmark for capital needs. Approximately 83 percent of the annual requirement will be for rail; the remaining 17 percent for bus. Unfortunately, much prior rehabilitation or replacement has been delayed or deferred, creating a "going-in" backlog of capital need which totals $2.24 billion. Major areas of deferral have been in structures (primarily CTA), electrical and signal system (CTA and Metra), and stations (CTA and Metra). The total requirement over the next three decades for normal improvement purposes and "catch-up" on deferred expenditures is summarized below:

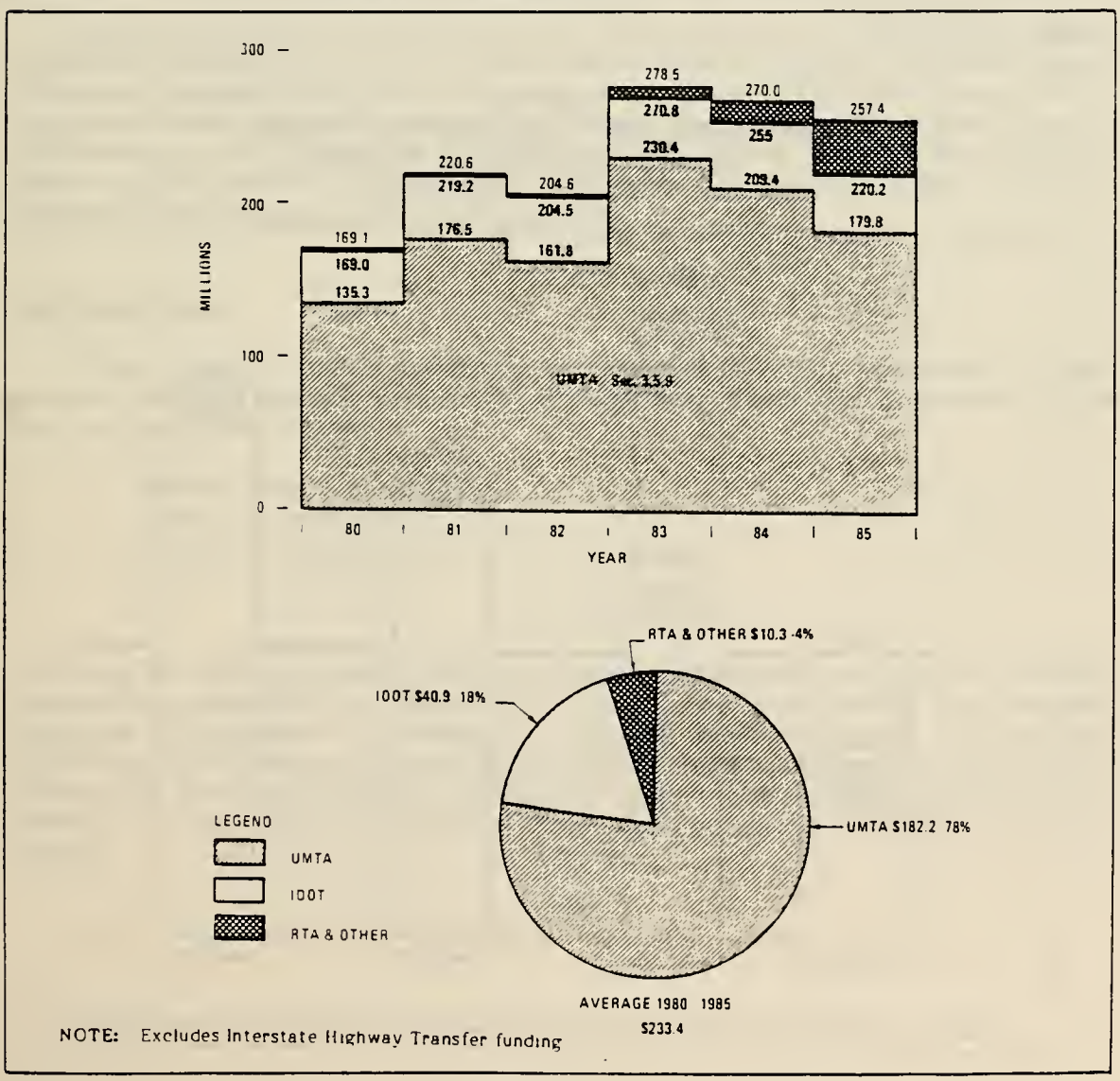
	Ongoing Replacement	Deferred	30-Year Total	Percent of Total
CTA	$ 6,941.2	$1,805.4	$ 8,746.6	64.9%
Metra	3,856.1	432.7	4,288.8	31.8%
Pace	444.0	0.2	444.2	3.3%
Total	$11,241.3	$2,238.3	$13,479.6	100.0%

CTA-Rail's requirement is $181 million per year, while the CTA-Bus need is $50 million per year. When added to the deferred requirement of $1.8 billion (81 percent of total deferred capital requirements), CTA's total is $8.7 billion. Metra's cumulative annual capital requirement is $3.9 billion, or $129 million per year; adding the deferred amount of $0.4 billion (19 percent of total deferred capital requirements), Metra's total is $4.3 billion. Pace's capital requirement is estimated to total $444 million, or $15 million annually, with only minor amounts of its assets in the "deferred" replacement category.

Capital Funding Needs Compared to Funding Sources

Capital funding from all sources over the 1980 to 1985 period averaged $233.4 million per year, though it has varied by more than $100 million from its high and low levels (Exhibit 5). The Federal Urban Mass Transportation Administration program has been the largest contributor of funds, averaging

Exhibit 5
Sources of Capital Funds — 1980-1985

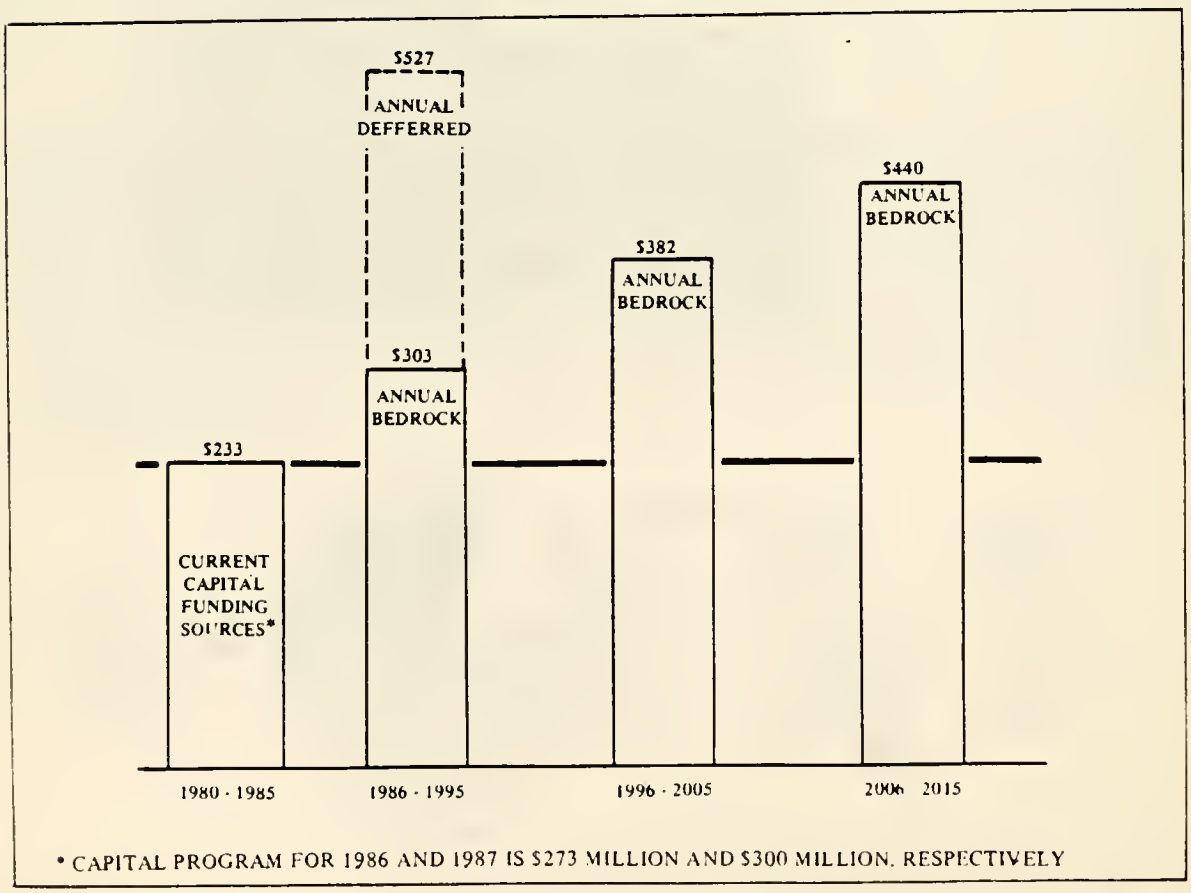


NOTE: Excludes Interstate Highway Transfer funding

78 percent of RTA's total capital funds received. UMTA funding has been supplied through the Section 3 discretionary capital program, Section 5, and Section 9 formula grants. Since 1983, however, Federal capital support has declined from $230 million to $180 million — a trend which would continue under the current Administration's policy. Capital support from the State has increased moderately overall. Contributions from the RTA and other sources comprise the smallest, but growing, portion of capital funds, averaging approximately 4 percent of total capital support. More recently, the RTA capital budget has increased to $273 million in 1986 and $300 million in 1987.

The shortfall in available capital funding compared to capital needs is a critical factor influencing RTA strategy for the future (Exhibit 6) — shortfalls will average over $200 million per year during the 30-year period. Capital requirements for annual needs during the first decade average $303 million per year, while requirements of the subsequent two decades rise to $382 million per year from 1996-2005, and to $440 million per year during the third decade. However, deferred capital, assumed to be amortized during the first ten years, will increase the first ten years' needs from $303 million per year to $527 million per year. It should be noted that all of these amounts are denominated in 1985 dollars. Inflation will, therefore, add to the capital funding requirements, particularly in the latter years.

Exhibit 6
Annual Capital Requirements by Decade
Bedrock Improvement Program
(Millions of 1985 $s)



* CAPITAL PROGRAM FOR 1986 AND 1987 IS $273 MILLION AND $300 MILLION, RESPECTIVELY

OPERATIONS — COSTS and REVENUES

The RTA and its Service Boards received $939 million in operating revenue in 1985 (Exhibit 7). This operating support was derived from almost equal shares of internal and external sources. External sources of revenue contributed $486 million, or 52 percent of the total, while internal sources, primarily farebox revenue collected by the Service Boards, constituted the remaining 48 percent, or $453 million.

The RTA's largest single source of revenue is the regional sales tax; proceeds from this tax totaled $342 million in 1985 — more than one-third of revenue derived from all sources. Other significant external revenue sources in 1985 include the State Public Transportation Fund (a 25 percent match of sales tax proceeds) — $85 million; and Federal (UMTA) Section 9 formula grants — $58 million.

Revenue received from all sources is used primarily to fund Service Board operations (Exhibit 7). In 1985, the RTA expensed $936 million, with $891 million (95 percent) allocated directly to the Service Boards and $45 million allocated to capital and other. The CTA received the largest share of regional transit funds — $587 million, or 62.7 percent of all operating funds. Metra and Pace received $237 million and $60 million, respectively. The RTA received $7 million to finance administrative expenses and interest payments.

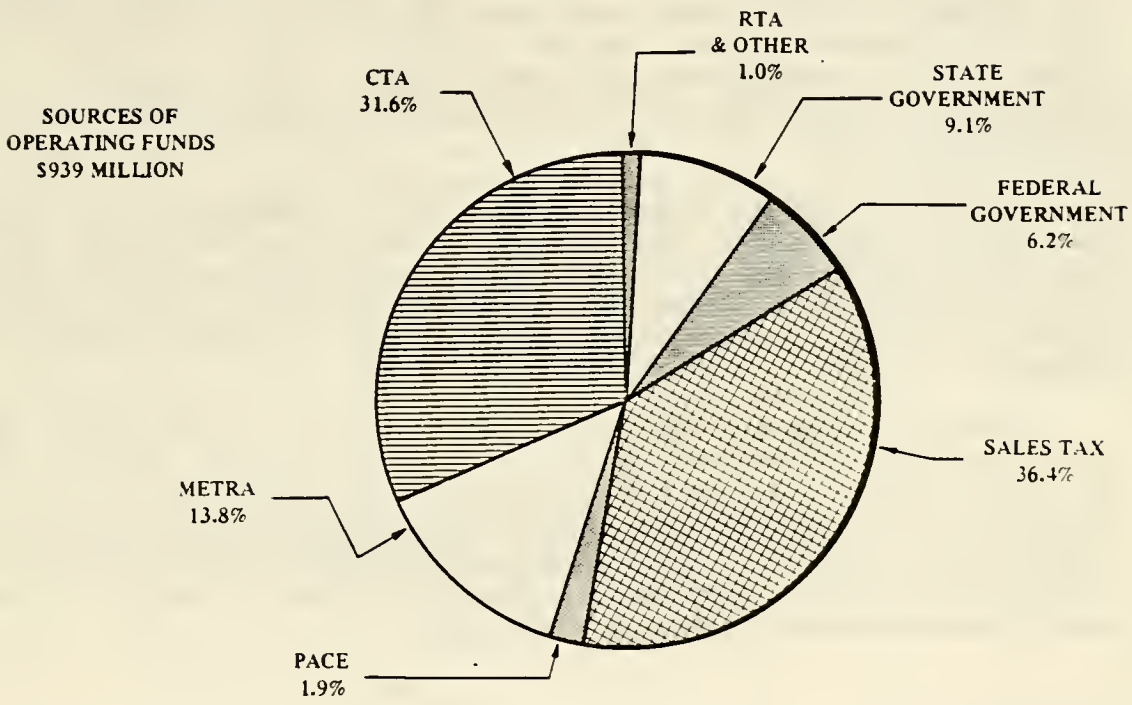
Operating Costs

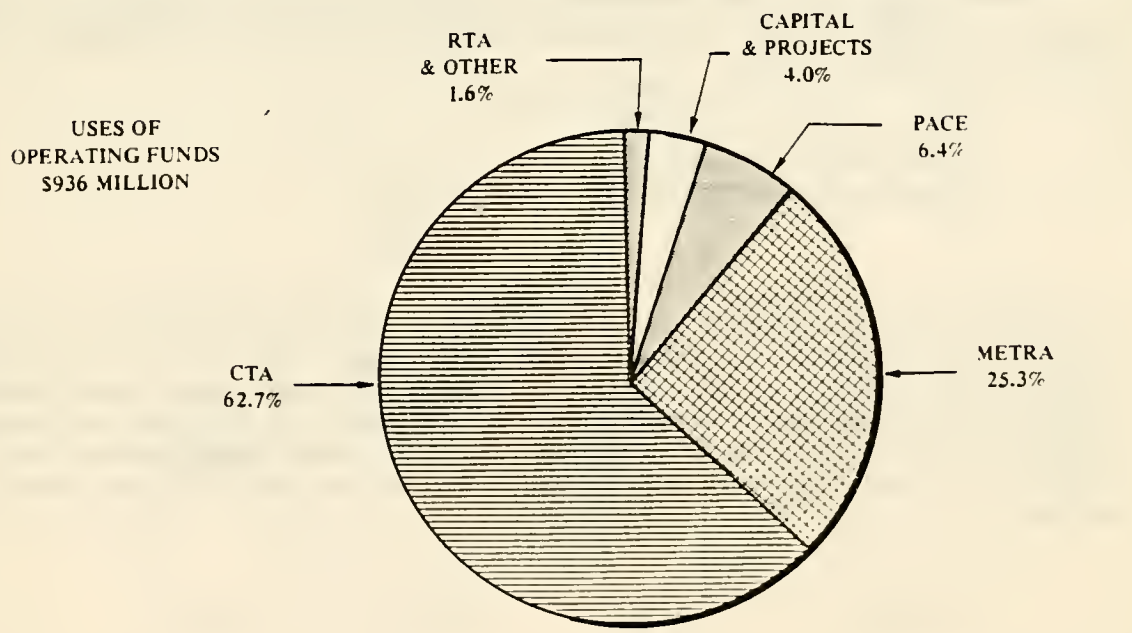
Three basic elements influence the regional system's operations — fare revenue, external revenue and operating expenses. Costs are influenced in the short run by several factors:

- Service levels,
- Labor work rules, and
- Personnel compensation.

The level of service provided dictates operating personnel levels given existing operating requirements, i.e., schedules and work rules. Both service and personnel levels can be adjusted in the short run. Though economic cycles exert general inflationary or recessionary pressure on prices of goods and services, the greatest influence on operating budgets is through manpower costs which average over 70 percent of all operating costs and are established through the collective bargaining process.

Exhibit 7
Sources and Uses of Operating Funds
(1985)





Fare Levels and Fiscal Management

Various levels of external funding (sales tax) and cost growth require fare adjustments to meet fiscal requirements. In periods of low sales tax growth, fare increases will be required in excess of expense growth to insure that total revenues exceed total costs. If sales tax growth exceeds cost growth, the need for fare increases diminishes to the level required to cover cost increases.

Given these relationships, coupled with the fact that sales tax growth is not a "controllable" source and there are practical limits to increasing system-generated revenue, two fiscal imperatives for the RTA are:

- Operating cost containment; and
- Reactive capacity or contingencies to protect the system from adverse economic cycles.

By controlling operating costs, the need for fare increases and external funding is reduced. Minimizing fare increases preserves ridership levels and supports the social goals of transit. Minimizing needs for external funding reduces fiscal hardship during recessionary periods. Further, if either system-generated revenue or external funding exceed 50 percent of operating expenses, an operating surplus is generated which can be used to support capital programs.

A fiscally prudent use of any operating surplus would be to reserve at least a portion of these surplus funds for operating contingencies. Thus, if recessionary cycles reduce external funding levels, operating reserves could provide operating budget relief.

REGIONAL GROWTH and TRAVEL MARKETS

The development of strategic thrusts for the RTA and Service Boards is most dependent on the people and jobs they serve — the patterns of location, growth and travel. Further, since a strategic plan is not an attempt to predict the future but rather the development of contingencies for uncertain futures, a scenario-based approach was used to examine the consequences of optimistic and pessimistic growth patterns.

Future Scenarios

Like many older cities, the Chicago Metropolitan Area is in the midst of a changing economy — from a heavy industrial orientation to a high technology and service employment base. This change in employment types is occurring concurrently with a general decentralization of population and jobs in the region. Estimates by subarea of the region analyzing the effects of the changing demographics in the future produced two alternate scenarios (Exhibit 8):

Exhibit 8
Population and Employment Growth Patterns
Optimistic and Pessimistic Scenarios
(Millions)

		1995		2005		2015	
	1980	OPT	PESS	OPT	PESS	OPT	PESS
Population							
Chicago	3.01	2.95	2.81	3.00	2.82	3.15	2.93
Suburban Cook	2.24	2.41	2.33	2.43	2.31	2.42	2.24
Subtotal - Cook	5.25	5.36	5.14	5.43	5.13	5.57	5.17
Collar Counties	1.85	2.35	2.21	2.65	2.42	2.93	2.62
Total	7.10	7.71	7.35	8.08	7.55	8.50	7.79
Employment							
Chicago	1.57	1.59	1.48	1.67	1.42	1.69	1.37
Suburban Cook	1.12	1.22	1.10	1.33	1.08	1.41	1.06
Subtotal - Cook	2.69	2.81	2.58	3.00	2.50	3.10	2.43
Collar Counties	0.72	0.91	0.92	1.09	1.07	1.26	1.20
Total	3.41	3.72	3.50	4.09	3.57	4.36	3.63

- Optimistic Scenario — Defining a transition into a service economy with manufacturing at current levels and service employment increasing, some acceleration of population growth, continuation of regional employment growth and reversal of the decline of City population and employment. Overall, relatively strong growth is projected for the region with concentrated growth in housing and economic activity in developing suburban areas, and some reinvestment in older parts of the region. In this scenario, population for the region as a whole is expected to grow almost 20 percent from 1980 levels of 7.1 million to 8.5 million by the Year 2015. Employment levels will grow by 28 percent from 3.41 million in 1980 to 4.36 million in the Year 2015.

- Pessimistic Scenario — Defining a continuation of past trends marked by further decline in the manufacturing industries and a slower transiton to a service economy; population growth rates would be about half the optimistic scenario, while regional employment growth would be even slower. A rapid decentralization of employment is projected, and population and development will continue to shift from Chicago to the suburbs. Overall population will increase to a projected 7.79 million — up almost 10 percent from 1980, while employment grows by 6 percent to 3.63 million in the Year 2015.

The optimistic scenario forecasts the highest population growth areas to be DuPage County, Northwest Cook County, Fox Valley, and Lake County. The Joliet area of Will County will also experience strong growth. Within the region, the older portions (Chicago, North Suburban Cook and West Suburban Cook) continue modest household growth through 2015. The City of Chicago's population continues to decline modestly until 1995, and then resumes growth. Within the City, the central area grows significantly to the Year 2015.

Optimistic employment growth projections show manufacturing employment increasing slightly in the North and West Suburban Cook areas. The most rapid and significant growth is shown in Northwest Suburban Cook and Eastern Du Page Counties, the Fox Valley area and the exurban balance of the region.

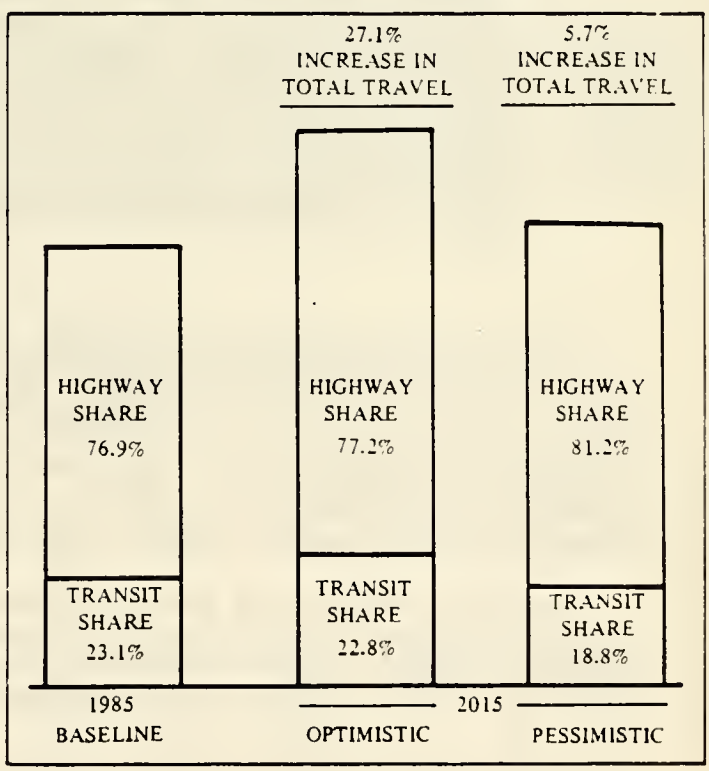
The pessimistic scenario results are based primarily on the National Planning Association's Year 2000 population and employment projections which represent one of the more pessimistic independent forecasts for the Chicago region. It results in a more decentralized growth pattern, shifting people and jobs away from the City and suburban Cook and into the Collar Counties. Chicago and suburban Cook will continue present trends of decline over the next 10 years and then remain fairly constant for the duration of the forecast period (2015). The Collar

Counties and Northwest Cook County will contribute the only real gain in population and employment in the region. This scenario, while "pessimistic," does represent a continuation of current trends toward a decline in the Cook/Chicago communities and a strong development of the Collar County areas. While DuPage, Will, Kane and McHenry Counties all realize strong growth, only the northwestern and southern areas of Cook County are expected to grow while overall Cook County population will decline almost 80,000.

Employment under the pessimistic scenario shows growth of only 220,000 jobs between 1980 and 2015. Although service/retail employment will grow at a pace similar to that for the optimistic employment outlook, continued loss of manufacturing employment under the pessimistic scenario will result in lower total job growth. Employment in Chicago and Cook County will drop by 260,000 jobs in spite of employment growth (72,000 jobs) in Northwest Cook County. DuPage County shows a very positive growth outlook — even under the pessimistic employment forecast.

Estimates of morning peak transit work trips under the optimistic and pessimistic demographic scenarios (assuming the current transit network does not change) reveal a wide range of possible total ridership values with the Chicago CBD remaining as the destination for the majority of trips (Exhibit 9). Total morning peak transit work trips forecast for the optimistic scenario are 25 percent higher than 1985, while the pessimistic forecast results in a 14 percent decline in transit travel. In both cases, transit loses market share if the network remains constant, indicating that "business-as-usual" is not a good solution even with optimistic growth.

Exhibit 9
Overall Comparison of 1985 Baseline Travel to the Year 2015 Future Scenarios



In 1985, 54 percent of morning work trips on transit were destined for the Chicago CBD. Under both scenarios for all the forecast years, the CBD remains the destination for 52 percent (2015 optimistic) to 56 percent (2015 pessimistic) of total transit trips. Under the optimistic scenario, 57 percent of the "new" trips are in non-CBD markets; conversely, under the pessimistic scenario, the down-side risk

occurs in non-CBD markets with 60 percent of the loss in this category. This indicates that the optimistic scenarios result in higher non-CBD and/or reverse commute transit travel.

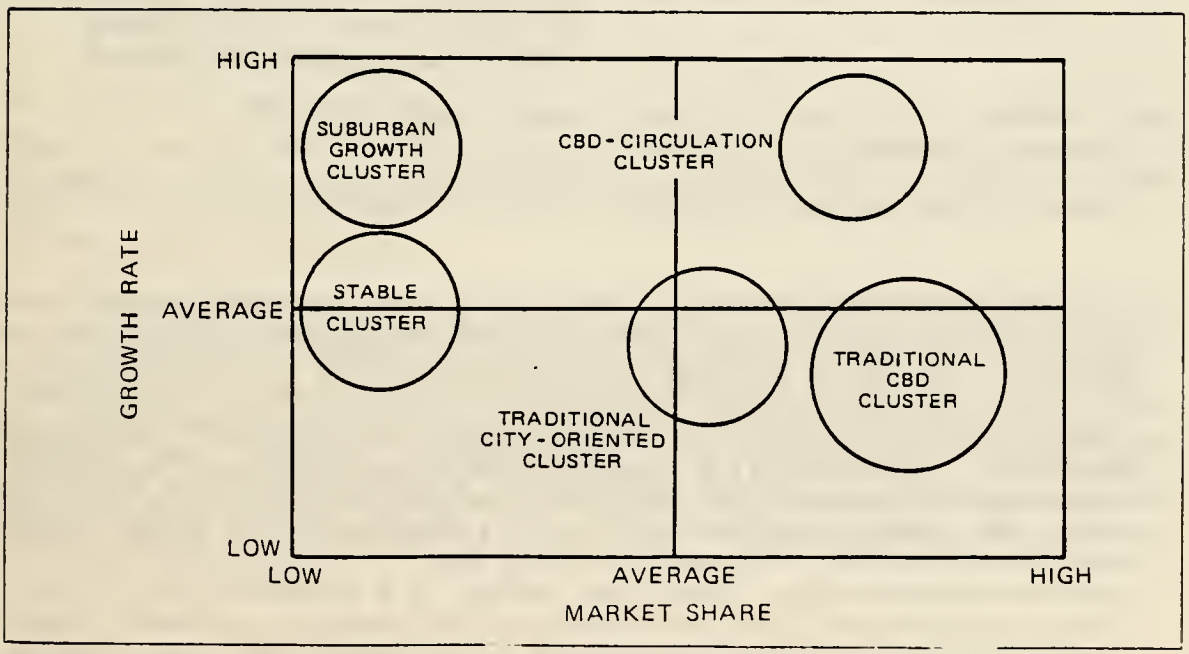
Market-Oriented Operating Strategies

The development of strategies for the long run is founded on the existing and future marketplace, the possible operating options for the optimum amount of transit service in these markets, and the appropriate investments needed to support these strategies — all couched in an understanding of the vagaries of the future and the financial realities of managing transit.

Focus is provided by an overall understanding of the marketplace and the changing opportunities to capture demand that will be available in the future. The market logically subdivides into five basic clusters which have unique characteristics — both now and in the future (Exhibit 10):

- Traditional CBD-oriented market;
- Traditional city-oriented market (excluding the CBD);
- Growth market, including travel among suburbs;
- Stable market, including travel to and from the inner suburbs; and
- CBD-circulation market, including trips beginning and ending in the downtown Chicago area.

Exhibit 10
Travel Market Growth and Transit Market Share



These patterns of demand and market penetration are summarized for the Bedrock network in Exhibit 11, followed by the strategies for each market cluster.

Exhibit 11
Market Cluster Strategic Focus
Bedrock Network
1985 to 2015

Market Cluster	Transit Market Share			Percent Market Growth		Percent of Total Transit Trips			Base Strategies
		2015		2015			2015		
	1985	Opt	Pess	Opt	Pess	1985	Opt	Pess	
Traditional CBD	68	68	58	23	6	54	53	57	Protect, Promote, Prune
Traditional City	30	32	26	9	-15	30	27	25	Rationalize, Reorganize, Maintain
Growth	5	6	5	88	59	3	6	5	Establish, Experiment
Stable	7	7	5	16	-2	12	13	11	Consolidate, Coordinate, Extend
CBD Circulator	50	50	50	146	83	1	1	2	Restore, Renew, Extend
Total						100	100	100	

The traditional CBD-oriented market is the most important to transit since it represents the highest market penetration and largest proportion of the transit market — over half in any scenario. The base strategies of protect, promote and prune are intended to maintain a strong position in this market while serving it at costs commensurate with growth opportunities. The second largest market cluster, traditional City-oriented, is a more dispersed market, which requires a rationalization of service and reorganization of submarket focus to retain market share. The growth market needs to have its specific patterns better established and alternative ways of providing service need to be determined and refined through experimentation. The stable market is a disappointment in terms of current market share. This market cluster is the largest in total travel volume, is served by existing facilities, yet has a low market penetration. Base strategies for this market are to consolidate, coordinate and extend to take advantage of existing facilities and gain further market share.

Traditional Central Business District-Oriented Market

Market Cluster Operating Strategies: Protect, Prune, Promote

Total travel from all market segments to the Chicago CBD increases above 1985 levels under all scenarios. Market shares are not markedly affected by network changes (expansion or retrenchment) indicating that the basic transit infrastructure is in-place (even with the potential for some financially driven pruning) and is capable of handling a high growth future. However, if trends indicate a low growth, financially constrained future, opportunities may be available to prune the network with only minor market share loss. The key to share growth is to capitalize on the increasing auto congestion levels.

This high-share market is and will be the backbone of transit and requires protection from diversion to other alternatives. Protection and enhancement require improved access to commuter and rapid rail stations including increased parking capacity, a better egress system such as a downtown distributor, improved quality and speed of line-haul service on all modes (especially express), and increased quality of service — both bus and rail. Rapid and commuter rail lines should be the focus for serving this market cluster since they already have higher travel speeds and represent a significant existing capital investment. However, the replacement needs to keep the entire network operating represent investment levels that exceed the current capital funding capacity of the RTA. Selected pruning of the more lightly used corridors may have to be considered to maintain or increase market share by selectively focusing investments in the corridors that are the strongest performers and/or display the largest growth opportunities.

Traditional City-Oriented Market

Market Cluster Operating Strategies: Rationalize, Reorganize, Maintain

This is the second strongest market cluster for transit with a current transit share of over 30 percent. Total travel varies from a 10 percent increase to a 15 percent decrease, depending on the demographic outlook. Thus, this market cluster is the largest downside "swing" risk in terms of potential transit volume due to demographic change rates.

Operating strategies for this cluster should involve re-orienting services to more closely serve changes in population. Most transit trips in this cluster require at least one transfer to complete each trip, therefore, facilitating the transfer is an important consideration to maintaining and/or improving this market penetration. Outer suburban trip origins need better access (additional parking and feeder bus) to commuter and rapid rail stations and better transfer connections to rapid rail and bus services from in-City stations. City trip origins and destinations would benefit from improved bus to rapid rail transfer facilities and an overall

rationalization of bus service based on market needs. Citywide bus services need to be reorganized to focus on specific submarket areas and then rationalized to more closely match service levels with travel needs.

Growth Market

Market Cluster Operating Strategies:
Establish, Experiment

This market cluster has the lowest transit share of the five clusters but represents the highest growth opportunity. Market growth rate is projected to significantly increase under both optimistic and pessimistic scenarios. Traditional transit services have not penetrated this market very well due to the dispersion and low density of the marketplace. Growth will solve some of the dispersion problem, but density levels will not increase significantly. Traditional bus transit service will need better focus, and new transit concepts, such as considerable expansion of paratransit, will be needed.

Paratransit options are a better match with the growth market needs and size. Paratransit circulation within defined market areas with connections and coordination to centralized transit nodes provides an operating solution that increases overall transit service accessibility. Transit nodes would connect local service areas with line-haul service — express bus, commuter rail, and, potentially, exclusive right-of-way express bus or light rail links — with other local service areas. This approach toward serving a dispersed origin to a dispersed destination market could improve service, increase market penetration, and lower cost in contrast with traditional service structures.

The emphasis should be to establish this transportation node-focused service structure in selected suburban centers with an existing transit service base and strong growth expectations. Alternative delivery system concepts will need to be explored through experimental and demonstration efforts to establish suitable operational and management approaches to ownership and service delivery. All types of operational, management and ownership concepts, including brokering, privatization, vanpooling, and various incentive contracting techniques, will need to be considered. However, specific experiments will need to be carefully planned and controlled.

Stable Market

Market Cluster Operating Strategies:
Consolidate, Coordinate, Extend

This cluster represents the largest existing and future total travel market under all future scenarios, yet it has a small transit share. Market penetration in the inner suburban areas should be higher considering the extent of rail and bus services throughout the area. The low market share indicates that services are not

adequately oriented along desired travel lines. Based on a projected stable travel market and a trip orientation of many origins to many destinations, service should be focused on transportation centers of the existing high capacity radial rail services, but with improved, high speed circumferential links. Fixed-route feeder services to rail stations are important in the inner suburbs to support greater trip concentrations. With increased levels and dispersion of tripmaking, improved coordination for suburban-to-City travel and high speed circumferential links to tap new trip patterns will help increase market share.

Distribution services to nearby employment concentrations and connections to other transit centers are also important. Inter-transit center connections should focus on high speed, high quality express or limited-stop service. Selective introduction of busway or light rail service should be considered for inner suburban circumferential service.

The operating strategies for the market cluster are focused on the consolidation of existing transit services and resources to better penetrate markets which are large and available, but currently served in a disjointed fashion. Coordination among suburban bus operators is essential to initiate the concept, in addition to introduction of higher quality circumferential services and coordination with City-oriented bus and rail services. As this approach becomes accepted into the marketplace, it should be extended into the more dispersed areas of the inner suburbs.

Central Business District Circulation Market

Market Cluster Operating Strategies: Restore, Renew, Expand

This market cluster includes trips with origins and destinations in the downtown area, with the added purpose of carrying transit riders from outside downtown with destinations not proximate to rail stations. As the Central Business District expands in size and area, trips within this market cluster increase rapidly. Residential concentrations within this CBD area and the expansion of the mid-day business travel market are expected to substantially increase travel demand. Most of this travel need is currently served by local bus routes which are subjected to the same congestion as autos.

The projected growth of this market, combined with the external travel to the CBD, will increase on-street congestion (already close to grid-lock) making local or shuttle bus service a very slow option. The rapid rail network will continue to serve a portion of this travel need, but does not effectively serve east-west trips especially from the commuter rail terminals. A downtown distributor with a dedicated right-of-way will be necessary to maintain the CBD market share, continue growth into the future, and serve the expanding central area. In addition, direct access from the existing rapid and commuter rail stations to all newly constructed developments is an important transit advantage for all CBD destinations. The downtown distributor should be designed in terms of layout, grade, and station locations so that new construction can include direct access to travel markets.

INVESTMENT STRATEGIES

Achieving the operational strategies requires focused effort in terms of both operations management and capital investment. Overall investment strategy is defined in three programs:

- Cornerstone Program
- New Initiatives Program, and
- New Technology Program.

Investment Program Objectives

The concept of the Cornerstone Program recognizes the mismatch between available and required funds and adjusts investment priorities in a prudent manner to accommodate uncertainty. More precisely, the short-run outlook is less foreboding than the long term. The Federal Government may be withdrawing as a funding partner, but that is less of a threat in the near term. Techniques may be available to support short-range capital needs (e.g., bonding the external revenue stream). The second five to fifteen years, however, need contingent planning. Therefore, the Cornerstone concept invests more heavily in elements of the system that are currently strong and/or have highest growth or market share potential and takes an opportunistic approach to the weaker elements making no "irreversible" investments while the longer-term future (financial and demographic) is unfolding. Thus, it is not a program to eliminate "weaker" facilities now, but rather to invest scarce resources on high priority, important elements of the system.

The New Initiatives Program is oriented primarily to service experimentation. New services designed to increase market share or reduce cost are required in different markets, but particularly in the "growth" and "stable" markets served by Pace. Initiation of new services requires flexibility to experiment with different service types and concepts. This program is designed to reduce the risk associated with experimentation by including in new initiatives projects the costs associated with equipment, operations, marketing and management of new services for time periods of up to two years.

The New Technology Program is focused on the incorporation of new technology — from fare collection equipment to robotics applications in vehicle maintenance — to the provision of transit service. Under the right circumstances, technological infusion into the transit environment can lower costs, improve reliability, and improve overall performance.

A summary of the strategic investment thrusts by program type and Service Board highlights the direction of each program (Exhibit 12). The Cornerstone Program is associated with investments to preserve and protect the most important elements of the RTA system. The New Initiatives Program provides funding for service experimentation and development. The New Technology Program is focused on cost savings and performance gains through selected applications in automation.

Cornerstone Program

This program is focused on those elements of operating strategy related to the existing transit system infrastructure. Elements of the program include priority investments in accelerating replacement and rehabilitation of those portions of the system that are and will continue to be the cornerstone for the future. This may be considered the "protect-at-all-cost" network. The basic premise behind this program is to prioritize capital investments to promote and protect markets that are:

- Most cost-effective in terms of ridership volumes produced (now and in the future) for the operating and capital cost dollars invested;
- Most promising for the future stability and growth of the RTA's regional system; and
- Most productive in use of increasingly scarce capital funds.

By design, the Cornerstone Program excludes from major capital investment those elements of the existing regional service that become less relevant to the future of a healthy, revitalized system in order to provide sufficient funding to catch up on improvements on system elements that are important to the future of the regional system — the cornerstone system. The cornerstone system is where the priority investments should be made.

The objectives of the Cornerstone Program are to:

- Improve Operational Performance — Increase service levels, particularly operating speeds and reliability, at reduced operating costs;
- Improve Operating Efficiency — Decrease operating costs for existing or improved levels of service;
- Increase Passenger Amenities — Increase the quality of the passenger's travel experience through improved stations, transfer locations, and shelters;

Exhibit 12
Summary of Investment Strategies

CORNERSTONE Program

CTA	METRA	PACE
. Designate Network	. Designate Network	. Revamp Service
. Accelerate Station Rehab	. Consolidate Operations	. Create Transit Ctrs
. Rehab Structures/Bridges	. Rehab/Expand Stations	. Service Monitoring Sys
. Revamp Maintenance	. Rehab Structures/Bridges	. Expand Paratransit
. Replace Rolling Stock	. Improve Fare Collection	. Replace Rolling Stock
. Change Bus Service	. Replace Signals/ Communications	
	. Rehab Yards & Shops	
	. Replace Rolling Stock	

NEW INITIATIVES

CTA	METRA	PACE
. Productivity Improvement	. Expand Consolidation	. Expand Transit Ctrs
. Study South Lake Shore Drive Corridor	. Expedite Downtown Distributor	. Experiment with Circumferential Services
	. Revamp CBD Service	. Implement Paratransit Demos
	. Pace Coordination	. Study Light Rail Transit and/or High Occupancy Vehicle Corridors
	. Station Relocations	. Feed Metra

TECHNOLOGY

CTA	METRA	PACE
. Automated Fare Collection	. Light Rail Diesel Cars	. Automatic Veh Monitoring
. Maintenance Automation	. Automated Fare Collection	. Rte Deviation Systems
. One-Person Rapid Transit Operations	. Honor Fares	. New-Tech Vehicles
. Telecommunications Leases	. Maintenance Automation	. Maintenance Automation

- Accelerate Structure and Facility Replacement and Rehabilitation — Reduce deferred capital replacement "backlog" to modernize and improve service and performance and reduce operating costs;

- Increase Maintenance Productivity and Efficiency — Increase service reliability and reduce costs through improved facilities, equipment, maintenance methods, training and management;

- Continue Rolling Stock Replacement and Improvements — Improve age profile of rolling stock — commuter rail, rapid rail, bus and paratransit — and balance rolling stock requirements with capacity requirements; and

- Improve Management Procedures and Accountability — Improve organizational effectiveness of each Service Board with respect to operational planning and control, labor relations, work rules and cost control, and management process.

Elements of the Cornerstone Program are presented for each Service Board under these general program objectives (Exhibit 12). In all cases, the recommendations will require careful study and analysis to determine the right network and best solutions to the challenges presented. The program elements are recommended for action, but with due consideration that the accomplishment of objectives will take initial planning and engineering work by each Service Board. The Regional Transportation Authority will need to be closely involved with the Service Boards in their technical planning phases of the projects — particularly with the economic evaluation of alternatives for investment purposes.

While the exact definition of the cornerstone system will require considerable consultation and policy considerations among the RTA and the Service Boards (and may ultimately rest with the Service Boards), the major thrust of the program for each Service Board can be described. Overall, the Cornerstone Program is focused on "doing the important things well," not "doing all things to a mediocre level."

Elements of the existing system that are not included in the cornerstone system will be in the Tier 2 System. These elements will be supported for safety reasons under specific conditions. These conditions are that safety-related costs are relatively minor and represent a reasonably short return-on-investment so as not to be irreversible in nature.

Investment priorities for Tier 2 System elements would be prioritized using the following criteria, in order of importance, consistent with available funds:

1. Safety Related:	Track, structures, stations (structural), signals, industrial safety (e.g., shop and garage equipment);
2. Service Degradation Related:	Insufficient or under-maintained vehicles would drive riders away; and
3. Amenity Related:	Stations, lighting, passenger communications.

While the Tier 2 System is second priority, it is not planned for abandonment in the near future. The future of the Tier 2 System will ultimately depend on the ability to secure additional capital funds. Current funding levels cannot support the entire network.

New Initiatives Program

Beyond the Cornerstone Program, which is oriented toward preservation of the more important elements of the existing network, investments in New Initiatives are oriented towards experimentation with new, innovative services.

One important consideration in the project selection process for the New Initiatives Program will be the cooperation and participation of both the public sector planning agencies and local governments and the private sector developers. The opportunities for cost-effective investments by the RTA and Service Boards are improved if land use, development and circulation concepts are planned that will take maximum advantage of the accessibility afforded by the region's transit system. The elements of design that are conducive to long-term transit system economic health include density and proximity to service — factors which add up to transit ridership potential. Participation in project financing among developers, local communities and the RTA or Service Boards is, obviously, a positive factor in the prioritization of New Initiatives projects. Also, local community leadership in seeking out developers, maintaining flexibility on zoning and other requirements, and forging relationships between transit providers and the developer community is an important factor for success. A symbiotic relationship between land use development and public transportation infrastructure can be forged with the community if these mutually beneficial factors are recognized.

New Technology Program

Technology represents an opportunity to improve transit service to the passenger and, in certain situations, reduce operating costs. The relative maturity of transit delivery systems in the Chicago area increases the opportunities to benefit from technology investment. The focus of these opportunities is directed

at the automation of manually performed jobs or replacing aged or outmoded technology with existing and/or state-of-the-art technology. These opportunities exist for each Service Board across the spectrum of demographic scenarios.

Capital Program Allocations for Investment Programs

Investments in all three programs — the Cornerstone Program, the New Initiatives Program, and the New Technology Program — are important to each Service Board. Given that there is a negative $2.2 billion capital program balance due to overdue asset replacement and rehabilitation, and that annual capital costs ($375 million) exceed available resources ($233 million) by $142 million, the near-term emphasis will need to be placed on the Cornerstone Program. However, the investment of scarce capital dollars should include elements of all three programs regardless of the funding levels. An example of a capital allocation across the three programs for each Service Board illustrating the relative size of Service Board needs and investment priorities is shown below:

Capital Program Allocation
Across Programs and Service Boards

Program	CTA	Metra	Pace
Cornerstone*	90%	80%	50%
New Initiatives	3%	5%	45%
New Technology	7%	15%	5%
Total	100%	100%	100%

* Up to 10% of Cornerstone Program available for Tier 2 investments if justified.

Financing

The key to defining the financial challenge is to understand the relationships between external funding and operating costs. The opportunity to "capitalize" operating surpluses for capital investment hinges on the amount of surplus, if any, that occurs in the future and the policies that can be established both by the RTA and Service Boards to capture these funds.

Estimates of future external funding levels (including sales tax, PTF and Section 9 from UMTA) have been projected to rise from $486 million in 1985 to a range of between $762 million (optimistic) and $557 million (pessimistic) in 2005.

External Funding
(Millions of 1985 $s)

	1985	1995	2005
Optimistic		$598	$762
Neutral	$486	$584	$727
Pessimistic		$495	$557

Even under the most pessimistic assumptions, the level of external funding, in 1985 dollars, increases. The opportunity to capitalize on this external operating funding growth is based on cost containment. Funds not required for operating the system will result in surpluses that can be used to support the capital programs.

For example, under a zero cost growth policy (i.e., costs grow no greater than inflation), external funding will grow from 55 percent of cost in 1985 to 82 percent in 2005 using an average external forecast assumption (Exhibit 13). Since at least 50 percent of the costs must be covered from system-generated revenues, the amount of external funds coverage above 50 percent is available as surplus. By 2005, this surplus could be as much as $280 million.

Exhibit 13
Comparison of External Funding Level Forecasts
to Cost Growth Alternatives
(Millions of 1985 $s)

Operating Cost Levels	1985	1995	2005
"Zero" Growth			
CTA	$587	$ 587	$ 587
Metra	237	237	237
Pace	60	60	60
RTA	7	7	7
Total	**$891**	**$ 891**	**$ 891**
External Funding Level (Avg Forecast)	$486	$ 584	$ 727
Percent Covered by External Funds	55%	66%	82%
Percent "Surplus"	5%	16%	32%
Historical Growth			
CTA	$587	$ 720	$ 948
Metra	237	303	416
Pace	60	76	102
RTA	7	9	9
Total	$891	$1,108	$1,475
Percent Covered by External Funds (Avg Forecast)	55%	53%	49%
Percent "Surplus"	5%	3%	-1%

If historical cost growth (above inflation) is projected into the future and contrasted with external fund forecasts, the "surplus" opportunity is either not available (given average or pessimistic external fund forecasts) or of minor magnitude. As shown on the bottom portion of Exhibit 13, the surplus turns into a deficit.

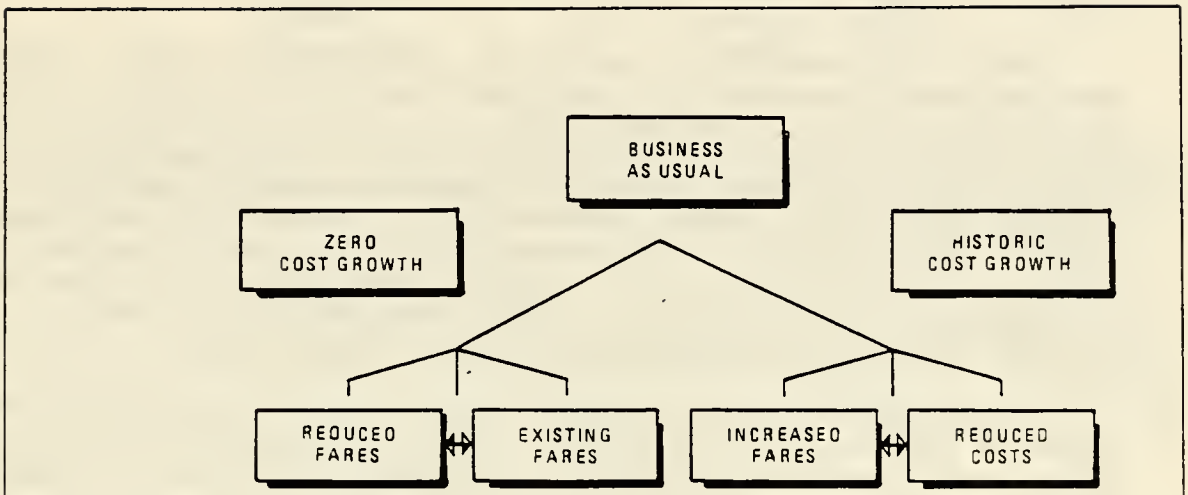
Under a cost containment situation with expense growth equal to inflation (zero cost growth), the availability of surpluses from external funds creates several opportunities (Exhibit 14). One opportunity is to reduce fares keeping recovery ratios at their current levels. This choice is best from an operating viewpoint as it allows ridership to grow above secular growth levels due to the elasticity effects of reasonable fares. Another choice is to leave fares at current levels, retain greater surpluses, and preserve even larger amounts of external funds for capital. This choice is not as favorable from a ridership viewpoint but contributes more substantially to capital programs. A range of intermediate choices can be taken reflecting a priority towards increasing ridership or capital funding.

The choices in a "historical growth" situation are not as favorable. They consist of increasing fares, or periodic forced cost reductions, to make the recovery ratio requirements (Exhibit 14). If an increasing fares policy is followed, fares rise quickly and substantially impact ridership similar to the impact of the 1981-1982 financial crisis, when fares were raised substantially and systemwide ridership fell 14 percent. Capital contributions in this case are modest at best, if not zero, since all external funding is used for operations. A periodic cost control effort to deflate costs can hurt patronage if services are cut — particularly if they are cut in haste to meet crisis conditions. Ongoing service adjustments to match service to changing demands can result in overall service reductions and cost control with little or no loss in ridership. However, this type of service planning and implementation requires time to be done well, and time is a scarce commodity in times of financial crisis.

This analysis leads to several basic conclusions:

- Controlling operating costs to the existing level of inflation in contrast to allowing operating costs to rise above inflation is beneficial from several viewpoints:
  - Fares are kept at lower levels;
  - Ridership can achieve secular growth rates without the dampening effects of fare increases;
  - Surpluses from unused external operating funds can be capitalized to assist the financing of a capital program.
- Except under the most improbable conditions of extended periods of cost containment, linked with optimistic external funding yields, the contribution to the capital program from operating surpluses never equals the needs for required capital.

Exhibit 14
Ramifications of Policy Choices
under Basic Cost Containment Circumstances



IMPACTS				
RIDERSHIP	GREATER THAN SECULAR GROWTH	SECULAR GROWTH	REDUCED OVER SECULAR GROWTH	REDUCED OVER SECULAR GROWTH IF SERVICES CUT
RECOVERY RATIOS	CURRENT LEVELS	ABOVE CURRENT LEVELS	CURRENT LEVELS	CURRENT LEVELS
CAPITAL CONTRIBUTION	GOOD	EXCELLENT	POOR	FAIR

Faced with an existing $2.24 billion backlog of transit replacement and rehabilitation requirements and an annual capital funding level that is approximately two-thirds of the required $375 million per year, initiatives for new funding sources are imperative. While the RTA has taxing power, a myriad of other sources might be considered with a view (Exhibit 15) to establishing an ongoing, stable and inflation-sensitive funding source — preferably one that is supportive of transit investments through disincentives for use of the automobile.

RTA enabling legislation permits external funding from either the sales tax or, if implemented in place of a sales tax, any one of three other taxes (gasoline, parking or replacement vehicle tax). A change in legislation is necessary for a simultaneous implementation. Of these three additional taxes, a 5 percent tax on gasoline offers a potential yield of $95 million. Much smaller yields can be expected for parking and replacement vehicle taxes. If the present retail sales tax rate were increased by 50 percent, the yield would be approximately $175 million. Other private-public partnership oriented financing arrangements are numerous; they typically are most relevant to a specific project and may, therefore, be an important ingredient in financing the New Initiatives Program.

Exhibit 15
Potential Additional Revenue Sources and Yields — 1986

	Annualized Amount (Millions of $s)
Sales Tax Increases of 50% to 1 1/2% for Cook County, and to 3/8% for Collar Counties	$170 - $175
Sales Tax Increase of 100% to 2% for Cook County, and 0.50% for Collar Counties	$340 - $350
Property Tax, 5 Mill	$25 - $30
Regional Share of Statewide Personal Income Tax, Increase of 0.25% (Corporate Tax increased by 0.40%)	$200 - $250
Reinstate RTA Gas Tax, 5%	$95
Parking Tax, 5%	$5 - $10
Replacement Vehicle Tax	$1 - $2

The expected yields from current capital funding sources cannot support the capital needs of the total RTA system. Therefore, in the short run, the focus of any capital investment plan must be on prioritization of available funds for the capital needs of the most important pieces of the network — the cornerstone network. In the long term, the region needs to grapple with the problem of finding new capital funds or seriously curtailing the network and services.

In the short run, the RTA has bonding capability (potentially up to $400 million available) that can be used to create a "head start" on the Cornerstone, New Initiatives, and New Technology Programs. Prior to making any short-term investments, however, a number of issues need to be resolved with the Service Boards:

- Definition of the cornerstone network;
- Development of a management structure capable of controlling a capital program up to double current size; and
- Concurrence on the desired funding source and the development of support to capture this source for the RTA.

SETTING PRIORITIES

Two important questions are: What strategies should have the highest priority? And, what strategies will need to logically await progress from higher priority strategies, or conditional performance of the economy or outside institutions?

Synopsis of Strategic Thrusts

The major strategic thrusts discussed include:

- Market Priority — Focus of operations plans and improvements;
- Cornerstone Protection — Specification of a capital program designed to invest in the most important elements of the RTA system — both now and for the future;
- New Initiatives — Exploration of new service concepts at one end of the spectrum to investments in improved productivity and performance in rail operations at the other;
- Technology Investments — Infusion of new technology in terms of equipment (e.g., fare collection), techniques (maintenance procedures and equipment), and most cost-effective modal alternatives;
- Operating Cost Containment — Establishing a cost containment philosophy to support both capital program costs and, even more importantly, protect the ridership base and good will of the RTA constituency;
- New Funding Sources — Financing the Cornerstone and New Initiatives Capital Programs using a stable, consistent, reliable, and inflation-sensitive funding base.

The appropriate blend and priority of these strategies will provide the region with an enduring plan for meeting the challenges of change.

Priority Strategic Thrusts

The first priority has to be funding — without securing the financial resources to correct the critical capital shortfall, the current relative stability of operational funding and service provision will be in jeopardy. While this is of paramount importance, initiatives associated with each of the other strategic thrusts can be pursued while the discussion, debate and decision-making regarding additional external funding is pursued.

Almost as critical for a number of reasons is inculcating the philosophy of cost containment for the entire RTA family. Cost containment is not only a rational and reasonable policy under almost any circumstance, it is particularly important when seeking new external funding and channeling investments into the high priority markets and most economically productive avenues. Protection of the transit marketplace depends on a constancy of service: quality, dependability, and price. It is not fruitful to invest scarce capital resources in protecting key transit markets through the Cornerstone or New Initiatives Program if consumers are faced with escalating fares on a regular basis. A commitment to cost containment is a philosophy that is important for the RTA and Service Boards not only to accept and follow but to project as a sound basis for investing in the region. Credibility as well as performance is at stake.

Initial action should begin with defining and investing in the Cornerstone System. Agreement between the RTA and Service Boards on this system should not be difficult as far as the core elements of the system — debate may range, however, on the extent and focus of each element — and this is fruitful. But it should not detract from an initial agreement that high volume services in the traditional service areas are where existing scarce capital resources should be concentrated. Current capital program resources should be concentrated on this system while still meeting the safety requirements for the whole system (with the caveat that such investments in safety not be of such a magnitude to be out of scale with the importance of the service).

Priority Capital Investment Focus

As part of a two-year priority Cornerstone Investment Program (assuming that fuller funding can be secured), the priorities should be on both critical capital elements in the Cornerstone System, as well as additional analyses of the best "means" to achieve the "ends" of the cornerstone system. More specifically, and in response to the need to meet the challenges of protecting the strongest and most important market clusters for the RTA, these are the priority investment areas given existing resources:

- Accelerated CBD station programs to rehabilitate and upgrade the service levels provided by all CBD station areas — CTA and Metra.

- Rail service operational productivity programs to complete, as rapidly as possible, the modifications to highest volume CTA and Metra lines to increase travel speed, thereby improving market competitiveness, service quality to the user, and reducing equipment requirements.

- Analysis, evaluation and restructuring of CTA bus and Pace city and inner suburban services to both adjust service to changing demand levels and establish an improved cooperative service environment between Pace and CTA at the interface of stable and traditional City market clusters — the City and inner suburban boundaries.

- Analysis, evaluation and initial investment in a longer-term integrated regional commuter rail system — a regional system that can operate under one management with work rules and compensation arrangements that are relevant to today's environment while maximizing the scale economies of a single operation — consolidated facilities, standardized communications and control systems, and consistent management and procedures.

- Priority analysis of the opportunities afforded by paratransit for both capturing a greater share of the growth market, as well as reducing overall costs for low density suburban services.

- Development of a task force, in conjunction with the City and other governmental entities, to pursue the opportunities for public/private partnerships — particularly in the area of critical market protection of downstream investments (i.e., the downtown distribution system) and new initiatives investments (i.e., expanded inner circumferential services and transportaion node development).

- Establishment of a joint task force to initiate a legislative program that will effectively deal with the need for external capital funding and ongoing structural adjustments to the RTA Act. The first task of this task force will be to determine if bonding the sales tax revenue stream to make a bold start on the initial Cornerstone and New Initiatives Program is a preferred tactic.

POLICIES and NEXT STEPS

Transit in Northeastern Illinois is making a comeback. Ridership is up, costs are being contained, and the new organization established in 1983 is learning to work together. The basic ingredients for success are in place, but threats loom on the horizon. While there is no part of the transit infrastructure that does not serve a useful purpose (albeit some more than others), it is physically deteriorated; and available capital can barely handle half the job that needs to be done. Management is controlling what it can, but no degree of management can reverse the aging process for 90-year old stations and structures or 30-year old rail cars. While it may be convenient to place the blame on past management, that does nothing to change the stark realities of the current situation. The need to replenish goes beyond merely saving the transit network — it strikes at the heart of the regional economy through the millions of riders who depend on the system for work and shopping, and the employers and merchants who rely on it for transporting employees and customers. A further irony is that the parts of the network which serve the largest transit markets (which are also vital to the economy) are the parts that are most at risk.

As previously stated, the RTA Mission Statement recognizes the challenge and sets the framework for future goals and policies. While recognizing the need for cost-containment, coordination, and quality, the mission also recognizes the reality of the need for . . . "expansion and development of new financial resources . . ."

The strategy that has evolved through the analysis of the current environment and examination of alternative futures can be summed in a few words:

- Continue prudent fiscal controls on operating expense growth while serving current markets better and probing emerging markets;

- In the short term, capital investments must be used to do the important things well and not everything to a mediocre level; and

- In the long term, forge a regional partnership that can find the resources to rejuvenate and expand a transit infrastructure that can spur growth and economic development.

The region has a rich heritage of being a "transit town" and for parts of its history was a role model for the nation's transit systems. The challenge is to return to that status.

Policies

Each Service Board (in addition to the RTA) has a defined mission statement which is supportive of the overall strategic plan. The development of policies and institutional arrangements to support these strategies are natural by-products of organizing to accomplish the strategies.

Major Strategic Thrusts	Associated Policies
Market Priorities	. Service decisions by the RTA and Service Boards will be made to: 1) protect large traditional markets; 2) seek share in large stable markets; and 3) experiment in growth markets.
Cornerstone Protection	. Capital investment decisions will be made to: 1) protect the cornerstone system; 2) keep the remainder safe; and 3) realign services to optimize the cornerstone investment.
New Initiatives	. Investments in new initiatives will be made to: 1) support the cornerstone system; 2) achieve operating economies in traditional markets; and 3) change any service where market share can be increased cost-effectively.
Technology Investments	. Investments in new technology will be made to: 1) gradually phase-in better services for the rider; 2) improve service delivery productivity; and 3) produce operating cost savings by permitting new management and operations techniques.
Operating Cost Containment	. A commitment to operating cost containment will be made to: 1) reduce fare increase pressure; 2) continue ridership recovery to a solid market base; 3) build constituent support; and 4) contribute to capital funding.
Institutional Change	. Adjustments to institutional arangements will be made to: 1) avoid disproportionate financial burdens; 2) support capital program management; and 3) foster regional coordination.

Major Strategic Thrusts	Associated Policies
New Funds Sources	. Additional external funding will be sought to: 1) provide needed funds to restore a larger cornerstone and new initiatives program; 2) establish enduring transit system renewal; 3) support cost-effective technology infusion; and 4) promote economic development.

Institutional Arrangements

In the near term, two institutional initiatives are needed to support the Strategic Plan:

- Development of an external funding coalition; and
- Creation of an expanded capital planning and management capability.

The need for additional external funding to reverse the decay of an aging regional transit system is one of the highest priority actions for the RTA. Capturing a new funding source will require a concerted effort by a coalition of participants; it is not just the responsibility of the RTA. Principal participants in the coalition will include the Service Boards, the City of Chicago, Counties, and related transportation agencies. The private sector, representing the economic development interests for the region, should be a major participant in the coalition for transit funding.

Finally, in anticipation that additional funding will become available to fund the Cornerstone, New Initiatives and New Technology Programs, an increased capability to manage an expanded capital program will be required. While financial resources are a critical missing resource, there is also evidence that, if needed funding were available tomorrow, the current management system from funds acquisition to project completion would be inefficient, and available capital funds would not be spent expeditiously. RTA will need to explore alternative capital program management approaches to increase the effectiveness of existing funding utilization and prepare for the effective management of a capital funding program averaging up to $500 million per year.

Next Steps

Discussion and agreement on the Strategic Plan concepts and supporting policies are clearly the first priority of the RTA Strategic Planning Committee and the full RTA Board. As the strategic elements of the plan are further refined and detailed, a number of activities should be pursued that will: assist the Board in

reaching agreement on concepts and directions embodied in the Strategic Plan and provide the Board with action items that will accelerate plan implementation. These activities are grouped into high priority — complete or initiate within the next six months — and medium priority — initiate in the following six months.

High Priority Action Items (Next Six Months)

Activities for near-term focus include:

- Designation of the Cornerstone System;
- Investigation of Capital Program Management Alternatives;
- Development of Legislative Package; and
- Definition and Prioritization of Program of Technical Studies to Support Capital Planning.

The description of the Cornerstone system will need to be carefully considered as it forms the basis of the most resource-consuming portion of the capital budget. Tasks to be completed in this activity include: specification (and agreement) on the criteria to be used for inclusion of transit service/lines in the Cornerstone system, analysis of available data to determine unmet and probable future performance of lines and services against these criteria, and agreement on the Cornerstone system.

Capital program management alternatives including organization, functions, processes, roles and responsibilities need to be defined and evaluated to determine how to more effectively manage the capital program under both conditions of scarce resources (current situation) and sufficient resources (potentially achieved in next two years). Tasks in this activity include definition of alternative structures, functions, etc., evaluation of these alternatives in the context of the operating and institutional environment unique to the RTA, definition of "linkages" between the capital management organization, planning organizations and Service Boards, and adoption and implementation of a revised capital management program capability.

Development of a legislative package to resolve the critical funding problems of the RTA and related issues needs priority attention. Given the need for as much unanimity as possible on legislation, a joint RTA-Service Board Committee, perhaps modeled on the joint interagency task force example, should be formed. Tasks in this work, in addition to committee formation, will be the agreement on legislative objectives, development of a communication/issue package for dissemination, definition of critical decision-makers with whom consultation is imperative, performance of a communications/outreach process, and development of draft legislative language.

Development of (and initial action on) a technical studies program to support the Strategic Plan initiatives is important to allow for the detailed analyses required to convert strategies into tactics. Elements of a technical studies program would include:

- Cornerstone Privatization Analysis
- Capital Planning Management Study
- Route Rationalization Study — CTA Bus Service Area
- Non-CBD Travel Corridor Identification Study
- Yards/Facilities/Operations Consolidation Study — Metra
- Condition Analysis Survey for Overage Facilities
- Systemwide Railroad Acquisition Impact Analysis
- Capital Project Prioritization and Management System
- Downtown Distributor Feasibility/Implementation Study
- Automatic Fare Collection Feasibility Study
- Service Privatization Study
- Labor Cost and Work Rules Study
- Regional Market Research Study, and
- Cost Containment Opportunities Study.

Development of the technical studies program will need to focus on the scope of these (or other) technical projects, budget and timing estimates, priority of implementation, and responsibility/coordination considerations.

Secondary Action Items (Beyond Six Months)

Obviously, much of the technical studies' activities defined above will be ongoing beyond the six-month period. Beyond this continuing activity, the principal objective of the second six-month period will be to develop a two-year capital budget (1988-1989) that is consistent with both the Cornerstone system and the three investment programs described herein (Cornerstone Program, New Initiatives Program, and New Technology Program). This will require a determination of the size of each program and its allocation (in dollar and activity terms) among the Service Boards.

A second major endeavor will be the formation of a Public/Private Initiatives Work Group to focus on development opportunities supportive of both the region and the transit system. Initial activities of this group beyond formation will be to develop locations and concepts for suburban transportation centers, the Downtown Distributor System, the Southwest Rapid Transit Line, and major rehabilitation/replacement activities associated with the elevated structures and downtown commuter railroad stations.

A third project will be to investigate mobility-limited service options consistent with funding and regulatory requirements. A major issue to be resolved prior to implementation of rail station rehabilitation projects is the issue of handicapped access to stations.

This is an ambitious program of activities by the RTA and Service Boards. But action toward strategy implementation is the real objective of the strategic planning project. The overall concepts of the RTA and Service Board strategy are in-place. While discussion and debate continue on the tactics, roles and responsibilities for implementation, important progress can be made in turning the plan into reality.